



ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT) NEWSLETTER FOR CENTRAL ASIA

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Calendar

- 1 Workshop to Strengthen Kyrgyz Law Enforcement Capacities in Analysis and Investigation of Data and Typologies Related to the Financing of Terrorism**
Date: 3 July 2007
Organizer: IMF
Location: Osh, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org

- 2 AML/CFT Workshop for Astana-Based Kazakhstani Officials (second of six)**
Date: 5 July 2007
Organizers: World Bank, UNODC and the Office of General Prosecutor
Location: Astana, Kazakhstan
Contact Information: Cari Votava, cvotava@worldbank.org
Andrei Kravchenko, Kazakhstani GPO

- 3 National Workshop on Drafting Amendments to the Terrorism-Related Provisions of the Criminal Code of Tajikistan**
Dates: 9-13 July 2007
Organizer: UNODC, Terrorism Prevention Branch
Location: Vienna, Austria
Contact Information: Walter Gehr, Walter.gehr@unodc.org
Albina Yakubova, albina.yakubova@unodc.org

- 4 Workshop for Kyrgyz Financial Intelligence Service and Law Enforcement on Analysis of Suspicious Transaction Reports**
Dates: 22-23 August 2007
Organizer: IMF
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org

- 5 Workshop for the Roles and Responsibilities of Relevant Kyrgyz Authorities in AML/CFT**
Dates: 28-29 August 2007
Organizer: IMF
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org

- 6. EurAsian Group (EAG) Typologies Workshop**
Date: September 2007
Organizer: EurAsian Group (EAG)
Location: To be determined
Contact Information: Victor Kochenov, info@euroasiangroup.org

Contributions to this newsletter are welcome. To submit information for inclusion or to be added to or removed from the distribution list, please contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org

AML/CFT Developments in Central Asia

Afghanistan



Afghanistan has enacted an AML/CFT law in 2004. The Financial Intelligence Unit, established in 2005, is operational. Afghanistan has commenced the application process for Egmont membership; its sponsors are the USA and Malaysia.

Afghanistan is scheduled to undergo an APG Mutual Evaluation in the 4th quarter of 2008.

Afghanistan is an observer member of the EurAsian Group (EAG), and a member of the Asia Pacific Group (APG).

Belarus



Belarus has an operational FIU and was accepted as a full member of the Egmont Group in May 2007. Belarus is scheduled to undergo a Mutual Evaluation by EAG in 2nd quarter of 2008.

Belarus is a member of EAG.

China



The AML/CFT law was adopted on 31 October 2006 and came into force 1 January 2007. China underwent a Mutual Evaluation by FATF and EAG in 2006. The Evaluation Report will be discussed and adopted at FATF Plenary in June 2007 and in December 2007 at the EAG Plenary. China is a member of EAG, and an observer member of the FATF.

Kazakhstan



The AML/CFT law is currently in the Parliament which plans to consider it for adoption in December 2007. The FIU will be established following the enactment of the AML/CFT law. Kazakhstan is scheduled to undergo an EAG Mutual Evaluation in 2nd quarter of 2009.

Kazakhstan is a member of EAG.

Kyrgyzstan



The FIU has been established and has commenced its application process for membership in Egmont, sponsored by the Russian Federation and Ukraine. Kyrgyzstan has undergone its first round EAG Mutual Evaluation, the report of which was adopted at the EAG Plenary in June 2007.

Kyrgyzstan is a member of EAG, and is the Deputy Chair of EAG.

Russia



Russia will undergo a Mutual Evaluation by FATF, Moneyval and EAG in November 2007.

Russia is a member of FATF and Moneyval/Council of Europe, and currently chairs EAG.

Tajikistan



On 10 January an Agency for State Financial Control and Combating Corruption was established in Tajikistan.

An AML/CFT law is being drafted by the office of the President. Tajikistan has undergone an on site evaluation Evaluation conducted by a World Bank Evaluation Team in June 2007 in the context of the Financial Sector Assessment Program. The Evaluation report is scheduled for discussion at the EAG Plenary in December 2007.

Tajikistan is a member of EAG.

Turkmenistan



The current government action plans calls for the drafting of an AML/CFT law in the coming year.

Uzbekistan



Pursuant to Presidential Decrees issued in January, February and April 2007, implementation of the most substantive provisions of the AML/CFT law has been suspended until the year 2013. Uzbekistan is scheduled to undergo an EAG Mutual Evaluation in the 4th quarter of 2008. EAG will send a Technical Assistance Needs Assessment (TANA) mission to Uzbekistan in the 2nd half of 2007.

Uzbekistan is a member of EAG.

Technical Assistance Update



The American Bar Association Rule of Law Initiative and the Tajik Islamic University in Dushanbe, Tajikistan have begun including **University Courses on Law and Civics** as part of its regular university curriculum. Classes for university professors began at the school on April 19, 2007. Using instructors and materials supplied by the Rule of Law Initiative, a broad range of subjects will be covered, including: fundamentals of constitutional structure; legal status of individuals and citizens; order of organization and activities of bodies of state power; definition and types of public organizations and their legal status; and the participation of religious organizations in

public life.

A total of 70 university professors were trained in these areas through two parallel curricula (of 35 professors each) each consisting of seven weekly segments through the end of May.

Transparency International (TI) conducted its annual regional meeting for Europe and Central Asia in Baku beginning on 31 May, including a high-profile **Anti-Corruption Conference on Combating Corruption and Reforming Institutions in Transition Economies**. The conference brought together anti-corruption activists, including TI's national chapters in the region, international experts and civil society leaders from around 40 countries in Europe and Central Asia. Speakers included emblematic figures of reform in transition economies including former Romanian Justice Minister Monica Macovei and Polish economist Leszek Balcerowicz.

FIU	Financial Intelligence Unit
FATF	Financial Action Task Force
FSRB	FATF-Style Regional Bodies
EAG	EurAsian Group
TANA	Technical Assistance Needs Assessment

The TI conference, hosted by the Government of Azerbaijan and co-funded by the United States Agency for International Development (USAID), will serve as a platform for exchange on strategies for fighting corruption and an opportunity to discuss region-specific issues such as the challenges of transition and natural resource wealth.

The OSCE Action against Terrorism Unit (ATU) hosted a **Conference on Partnerships between the Public and Private Sectors in the Fight against Terrorism** entitled “**Partnership of State Authorities, Civil Society and the Business Community in Combating Terrorism**” in Vienna from 31 May to 1 June. The event gathered state officials and representatives of civil society and the business community to examine how they can work together more closely to fight terrorism.

The conference follows up on previous work by OSCE to develop public-private partnerships in a number of counter-terrorism programs and provides participants the opportunity to identify existing gaps, possible improvements and best practices. Human rights aspects, media-related issues, the protection of critical infrastructures, countering the financing of terrorism and ways to address the underlying factors which terrorists exploit are also a focus of discussion.

Participants acknowledged that in an increasingly interconnected world, the pursuit of security interests and development efforts and the promotion of democracy, rule of law and human rights are not separate and distinct activities, but rather demand an integrated approach. They called on the OSCE to continue promoting public-private partnerships to fight terrorism through its political and practical activities.

A Combined AML/CFT and Counternarcotics Technical Assistance Coordination Meeting for Kazakhstan was held on 18 June in Astana, Kazakhstan. Presentations on the recent EurAsian Group Plenary Meeting, the status of the AML/CFT draft law in Kazakhstan and a report on the drug situation and Central Asia and Kazakhstan were offered. Representatives from several diplomatic delegations participated in the meeting.

Six members of Turkmenistan's border and customs services participated in a week-long **Training Course on Border Management in Germany, France and Switzerland** beginning on 19 June. The trip was organized by the OSCE Centre in Ashgabat with support of the Government of Turkmenistan and Germany's Finance Ministry.

Participants exchanged experience on border management concepts, national and international cooperation between agencies involved in border and customs control, and prosecution of trans-boundary crimes. They also discussed current techniques used to prevent and investigate drug trafficking and the illegal transfer of money across frontiers.

Participants including over 70 government officials, representatives of political parties, media and national minorities and members of non-governmental and international organizations participated in a **Discussion on Anti-Corruption Legislation and Mechanisms** in Dushanbe, Tajikistan organized by the OSCE Centre in Dushanbe on 23 June.

EurAsian Group (EAG)

A Plenary meeting of the EurAsian Group (EAG) took place on 13-15 June in Sochi, Russia.

- EAG Mutual Evaluation Reports will automatically be published on the EAG website.
- ME report of Kyrgyzstan was discussed and approved
- Belarus was accepted as a full member of Egmont Group in May 2007, along with Armenia, which is an EAG Observer.
- The European Bank for Reconstruction and Development (EBRD) became an Associate Member of EAG.
- The next EAG Plenary Meeting is planned for Hainan Island, China, on 10-15 December 2007.



Working Groups:

Technical Assistance Working Group is discussing ways to reduce barriers to technical assistance to EAG member countries. In this regard, countries were encouraged to communicate their needs directly to Donors, while keeping EAG informed on all activities. EAG has also agreed to make available a participant list with contact details of all delegates and participants in EAG meetings.

A Technical Assistance Needs Assessment (TANA) mission will be held in Uzbekistan in the 2nd half of 2007. The Technical Assistance Working Group encouraged donors to incorporate results of EAG Typologies research into technical assistance programs delivered to EAG member states.

Typologies Working Group adopted its draft report on drug-trafficking, which will be submitted to the upcoming FATF Plenary for adoption as a joint EAG-FATF report. EAG will organize a Typologies Seminar in September 2007. Typologies research topics currently in progress include:

- Typologies of terrorism financing
- Cash-based schemes for money laundering

Evaluation and Legal Working Group discussed concerns of Kyrgyzstan regarding the draft Evaluation report and the report was finalized in the Plenary meeting. The Detailed Mutual Evaluation Report of Kyrgyzstan will soon be posted on the EAG website.



Schedule of EAG Country Evaluations:

Country	Evaluators	On-Site Evaluation	Plenary Discussion
China	FATF, EAG	2006 (completed)	June 2007 (FATF) December 2007 (EAG)
Belarus	EAG	2nd Quarter 2008	December 2008
Kazakhstan	EAG	2 nd Quarter 2009	November 2009
Kyrgyzstan	EAG	January 2007	May 2007
Russia	EAG, FATF, MONEYVAL	November 2007	June 2008 (FATF) December 2008 (EAG)
Tajikistan	World Bank	June 2007	December 2007
Uzbekistan	EAG	Fourth Quarter 2008	June 2009

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CARICC Update

The Central Asia Regional Information and Coordination Center (CARICC) is a regional cooperative entity including all Central Asian republics, as well as Russia and Azerbaijan. Headquartered in Almaty, Kazakhstan, it will serve as a focal point for specialized law enforcement services to counter drug trafficking in Central Asia by:

- Coordinating international cooperation & controlled delivery operations
- Establishment of a regional intelligence database
- Conducting tactical & operational intelligence and strategic assessments
- Providing technical training
- Supporting enhancement of inter-agency cooperation

Although the establishment of CARICC is initially being coordinated by the UNODC and funded by Donors (including Finland, Italy, Luxembourg, UK, and USA), once established and fully operational, it is envisioned that it will eventually be fully funded and operated by its member states.

The project has high-level support in all participating states, donor countries and competent international organizations. The foundation Agreement establishing CARICC has been signed by the presidents of five member states (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), and is awaiting signatures of Russia and Turkmenistan. Once signed by all presidents, the Agreement will require Parliamentary ratification.

Pilot Phase: In the meantime, CARICC plans to launch its pilot phase in November 2007 to commence regional coordination of regional law enforcement activities and information exchange on the basis of existing international and CIS treaties which permit information sharing and cross-border

cooperation in criminal matters. This will allow CARICC to begin building partnerships with related organizations such as Interpol, Europol, WCO and the SECI Center.

A meeting is scheduled on 11 July among representatives of law enforcement bodies and Ministries of Foreign Affairs of participating states to discuss organization matters and implementation of the pilot phase. Once pilot phase is endorsed, recruitment of the CARICC interim staff will begin.

The Government of Kazakhstan has made available premises in Almaty to establish CARICC Headquarters, and renovations are underway. Donor support for CARICC is critical at this time. For further information, contact Tofik Murshudlu, UNODC Senior Project Coordinator for CARICC at tofik.murshudlu@unodc.org.

Excerpt from the G8 Communiqué

87. We emphasise our determination to fight corruption and mismanagement of public resources in both revenue raising and expenditures. As part of our ongoing efforts to foster transparency with regard to resource-induced payment flows, we will continue to support good governance and anti-corruption initiatives, such as the Extractive Industry Transparency Initiative (EITI), and we commit to provide continuous assistance to strengthen EITI, as appropriate through financial, technical and political means.

Equally, we invite all stakeholders to provide support for the implementation of the EITI, call on implementing countries and companies participating in EITI to implement the Initiative and comply with their disclosure commitments. Equally, we encourage further countries to participate in EITI as appropriate, welcome the fact that an independent validation-process has been initiated to monitor the national implementation measures.

We encourage prompt application and further development of the validation methodology, welcome the fact that a number of large banks have already signed the United Nations Environmental Program (UNEP) Finance Initiative and the Equator Principles. We call on further major banks to follow suit to adopt the Equator Principles for project finance and implement the International Finance Corporation (IFC) standards, particularly those standards that relate to transparent payments and contracts in the extractive sector, and finally initiate, within the framework of the 2007 global conference on transparency, a dialogue with the major emerging economies to enlist the governments and especially the state-owned companies domiciled in these countries as participants in EITI.

Fight against Corruption

88. Promoting the fight against corruption, both at the national and international levels, remains one of the most important tasks of the G8. We are aware of their leadership role in setting examples in the fight against corruption, and are taking concerted action to live up to their commitments and responsibilities. We are committed to full implementation of their obligations under existing international agreements created to combat corruption, particularly those of the United Nations and the Organisation for Economic Cooperation and Development (OECD). This includes the partners' commitment to effective investigation and prosecution of domestic and foreign bribery cases.

89. We will intensify their common efforts to effectively combat corruption worldwide. This includes:

- Supporting the ratification of the UN Convention against Corruption (UNCAC) by all countries;
- Coordinating closely to promote effective implementation of the UNCAC, particularly related to developing effective review mechanisms, strengthening international measures on asset recovery, and encouraging provision of technical assistance;
- Supporting the work of the United Nations Office of Drugs and Crime (UNODC), Interpol, the OECD and other international bodies to coordinate the implementation of UNCAC;
- Ensuring that developing countries can access and develop technical expertise to help them recover illicitly-obtained assets;
- Reaffirming a shared commitment to effective monitoring through the implementation of a continuous, rigorous and permanent peer review mechanism under the OECD Anti Bribery Convention, and strategic advancement of the Convention through continued engagement with non-party emerging economies;

- Supporting International Financial Institutions' efforts to combat corruption, including the implementation of the World Bank's Governance and Anti-Corruption Strategy to increase assistance to countries to strengthen governance and reduce corruption;
- Denying safe havens through our national laws to individuals found guilty of corruption and the return of illicitly-acquired assets with high priority and developing additional measures to prevent such individuals from gaining access to the fruits of their criminal activities in our financial systems;
- Urging all financial centers to implement the highest international standards of transparency, exchange of information and the fight against money laundering;
- Supporting the efforts of the private sector in combating and preventing corruption, including through promoting greater accountability and transparency of payments in key sectors;
- Providing assistance to countries that show willingness and ability to use funds effectively;
- Welcoming the entry into force of the AU Convention on preventing and combating corruption and encouraging all AU Countries to ratify and implement it.

90. We will continue to develop concrete strategies and best practices regarding specific aspects of combating corruption; for example, this will include implementing regional G8 workshops on the recovery of illicitly-obtained assets. We will also provide developing countries with enhanced capacity building assistance.

91. We are aware of the increasing role of investments from emerging countries and will keep this topic on the agenda. Emerging countries are encouraged to meet the international anticorruption standards and are invited to adhere to international anticorruption instruments.

92. Building on the St. Petersburg Statement of 17 July 2006, we will focus on preventing corruption and of raising public awareness, in collaboration with civil society. We agree that corruption should be combated most effectively by measures which reduce the vulnerability of the public sector to corruption. We will work actively to promote appropriate preventive measures, particularly in the government and administration, inter alia through transparent public procurement and will also provide support to other States in working up best practices in this area.

93. We understand the critical relationship that exists between providing a stable, transparent, and corruption-free business climate, and the ability to attract much needed foreign direct investment. Potential investors look at a range of issues in making investment location decisions, and a corruption-free environment is high among those determinants.

AML/CFT Case Study

Rick, an American citizen who claimed to be a European, was the key organizer of a group of individuals that used to belong to a larger drug cartel. The majority of the original cartel had been arrested and imprisoned by law enforcement several years previously. Since the destruction of the cartel, Rick had continued to control a significant part of the money raised from the cartels drug trafficking activity, and had used the funds to restart his own drugs trafficking operation on a smaller scale. Furthermore, during his involvement with the original group, Rick had learned several laundering techniques, which were to prove extremely helpful to his plans for his own gang.

The drug money entered the American country in cash shipments by boat or plane. Rick's group received the money in sealed cash bundles, and sought to launder the drug money through a series of layering transactions in several different countries. Following initial cash deposits into a range of bank accounts, Rick facilitated the laundering by authorizing an agent abroad to transfer funds from the initial accounts to the personal accounts of a number of intermediaries overseas. The intermediary arranged a back-to-back transfer of the funds back into the country to accounts at the National Central Bank, and obtained authorization for the fund transfers from that institution. Before the money was transferred back, Rick always called the intermediary again to request a cancellation of the transfer.

The intermediary was left with the funds in his or her account. The funds were then withdrawn in cash and wired back in country to yet other accounts, with the authorization documentation from the National Central Bank as a prepared explanation of the origin of the funds. The National Central Bank was being used unwittingly to give additional probity to the drugs funds.

Once the funds had been moved through several layering processes, Rick was able to use the monies to purchase real estate. In order to do so, he utilized lawyers, bank managers, and other professionals, paying commissions of between three percent and five percent of the value of the transferred money in order to minimize questions. The commission rates were slightly above normal market rates, in order to ensure that the firms concerned welcomed the business. Lastly, Rick did not want the real estate to be registered in his own name, and used a number of other individuals and companies as nominal owners in order to further confuse the money trail - whilst some of these individuals were aware of the criminal source of the funds, a number of other firms were used unwittingly. The use of such financial professionals gave additional probity to the fund movements.

To implement his laundering scheme, Rick used more than half a dozen banks and a wide range of accounts at each institution. Unfortunately for Rick, several of the banks identified that account activities were unusual, and chose to disclose to the national FIU.

After financial analysis to identify as many linked accounts as possible, the FIU disseminated a report to the police and an investigation was initiated. At time of writing, the police were analyzing the financial data further, but it was estimated that Rick's scheme had involved a turnover of about US\$720,000,000 over a number of years. Rick has already been arrested for a range of drug trafficking and money laundering offences.

Suspicious Indicators:

1. Atypical or uneconomic fund movements within accounts
2. Deliberate concealment of fund ownership

This case has been adapted from the "FIU's in Action," a compilation of 100 sanitized cases from Egmont Group members. The full version is available at www.egmontgroup.org.



Media Summary

Regional News

EU praises Russia in fight on terrorism financing, money laundering

RIA Novosti – 24 May

The European Union welcomes Russia's commitment to the ongoing international fight against terrorism financing and money laundering, the deputy head of the European Commission's delegation in Moscow said Thursday.

Paul Vandoren said the European Commission and the Council of Europe will contribute 3.5 million euros (\$4.5 million) through 2010 on a program to assist Russia in its continuing enforcement efforts. Alexander Seger, the head of the Council of Europe's technical cooperation division in the Department of Crime Problems, said that Russia and the EU already have considerable experience working together to stop financial crimes.

Russia is an active participant in the international fight against money laundering and a full-fledged member of the Egmont Group, he said, referring to the coordinating body for international financial intelligence units (FIUs) formed in 1995 to promote and enhance international cooperation in anti-money laundering and anti-terrorism financing.

He said that international money laundering and terrorism financing registered a 15-fold increase in 2006 and early 2007 over previous years, although he did not cite any specific figures for Russia.

SCO to hold counter-terrorism exercises in Kyrgyzstan

RIA Novosti – 28 May

A Eurasian security bloc comprising five former Soviet republics and China will begin joint counter-terrorism exercises at a lake in eastern Kyrgyzstan on Monday.

The Central Asian country's state security department said the exercises would involve special forces and law enforcement agencies of Shanghai Cooperation Organization (SCO) member states, and would be held at a military zone by Lake Issyk-Kul.

The exercises will continue until May 31.

The Shanghai Cooperation Organization is set to hold a summit on June 15, bringing together the presidents of member nations Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and China, as well as the leaders of Iran, Pakistan, India and Mongolia, which currently have observer status in the alliance, but have expressed interest in becoming full members.

The SCO was set up a decade ago to deal with Islamic extremism and other security threats in Central Asia, but has since expanded its scope to include cooperation in disaster relief and trade.

Russian Security Service chief upbeat on anti-terror committee

Interfax – 29 May

The director of Russia's Federal Security Service (FSB), Nikolay Patrushev, is pleased with the results of the work of the National Antiterrorist Committee (NAC).

"The National Antiterrorist Committee has not been working for long, but I am happy with the results," he told journalists in Cheboksary (Chuvash Republic) on Tuesday, 29 May.

According to Patrushev, 257 terrorist acts took place in Russia in 2005 and 112 in 2006. "At the same time, the number of terrorist acts grew in the world as a whole. This happened thanks to coordinated efforts of all branches of power and because a power vertical has been set up," he said.

Patrushev said that the situation is generally looking good in the Volga Federal District, but "we are not happy with the situation as regards counterterrorism".

"In 2006 41 people belonging to organizations which have been prohibited by Russia's supreme court were sentenced. I am talking about members of the international terrorist organization Hizb ut-Tahrir. But the organization's cells are growing and taking root," he said.

According to Patrushev, all branches of power have to counter terrorism, including the fourth branch - the press. "I would like for the law to establish that countermeasures should be effective and that the activities of the press shouldn't help terrorism, when an action is taking place. It is often the case that information from the press is exploited by terrorists, who use corresponding technical equipment," he said.

Patrushev also mentioned the problem of the border between Russia and Kazakhstan, which is the longest [in the world]: 7,500 km. "Earlier this border did not exist and at the moment it is being equipped, with control points, among other things. Nine of them are part of the federal programme [The state border of the Russian Federation] for 2003-2010. I would like more of them, but there are 432 control points in the country as a whole and only 87 of them are being equipped. So the percentage of control points being equipped in Kazakhstan is high," he believes.

According to the presidential envoy to the Volga Federal District, Aleksandr Konovalov, who took part in the committee's meeting in Cheboksary, the fight against terrorism has become more systematic and large-scale since the NAC was created and assigned with tasks.

"Today it is not only necessary to protect sensitive installations, but also to create an atmosphere of zero-tolerance to all kinds of extremist and terrorist activities, to create a behaviour among the population, which presupposes vigilance and knowledge about how to behave in extreme situations," he said.

Patrushev carried out the meeting in Cheboksary as chairman of the NAC together with the heads of the antiterror committees of the Russian Federation's constituent entities in the Volga Federal District.

Anti-terrorism law on cards, experts claim

China Daily – 31 May 2007

China is looking to introduce an anti-terrorism law to combat threats from both home and abroad, experts have said.

Zhao Bingzhi, president of the criminal law research committee of the China Law Society, who has been involved in discussing the draft law, said: "China has been very active in the establishment of an anti-terrorism legal framework and authorities are busy drafting a separate law to better fight terrorism."

He told the Workshop on the Global Legal Framework Against Terrorism yesterday in Beijing that the draft will take into consideration the terrorism situation China currently faces and all relevant international conventions.

Zhao did not reveal a timeframe for the draft law.

However, the latest legislative plan of the Standing Committee of the National People's Congress (NPC), the country's top legislature, has said that an anti-terrorism law might form part of its next five-year plan, which starts next year.

Earlier media reports said the law would define terrorist activities, the responsibilities and obligations of anti-terrorism authorities and how to fight terrorism both at home and abroad, all of which lack clarity in existing laws.

Li Qinglin, vice-president of the China Law Society, the co-host of the workshop, said growing terrorist forces worldwide pose a serious threat to all countries, including China, and it is crucial to improve legislation to provide a legal footing for anti-terrorism activities.

In January, police in Northwest China's Xinjiang Uygur Autonomous Region said they had killed 18 terrorists and arrested 17 others during a raid on a training camp run by the East Turkestan Islamic Movement, or ETIM, which the United Nations labeled a terrorist organization in 2002.

ETIM, which is believed to be connected to Al-Qaida according to the Xinhua News Agency, plotted more than 200 violent incidents including explosions, assassinations, arson attacks, poisonings and assaults in Xinjiang and overseas between 1990 and 2001, killing 162 people and injuring 440, official data shows.

Jean-Paul Laborde, chief of the terrorism prevention branch of the United Nations Office on Drugs and Crime, said: "Terrorism is an international concern and no country is 100 percent safe."

He said China had always played a crucial role in the negotiations and adoption of the Global Counter-terrorism Strategy, which the UN adopted last year, and the country had also made good progress with its national anti-terrorism legislation.

In December 2001, three months after the September 11 terrorist attack on New York, China amended its Criminal Law and added more than 10 crimes of terrorism "to deal more harshly with the criminal acts of terrorists".

In October, it also adopted the Anti-Money Laundering Law to help combat the financing of terrorism.

Russia: FSB claims success in combating terrorism

Oxford Analytica – 6 June

The head of the Federal Security Service (FSB), Nikolai Patrushev, stated yesterday that the authorities had succeeded in significantly reducing terrorism in Russia. He estimated that the number of terrorist activities had dropped by half since last year, an achievement he attributed to the joint effort of "government at all levels, law enforcement agencies and civic society".

At the same time, Patrushev argued that "additional measures" from the National Anti-Terrorist Committee (NAC) were necessary to tackle the spread of radicalism and extremism through printed and internet media. Set up by presidential decree in February 2006, the NAC is managed by the FSB and is intended as an inter-agency clearing house for all intelligence flows on terrorist activities and counter-terrorist operations.

Patrushev chairs the NAC, which may now try to claim more authority and funds to combat 'the ideology of terrorism'. The authorities appear to have been successful in undermining the North Caucasus insurgency through improved intelligence and the assassination of prominent rebel leaders.

The security apparatus may now use this success to claim even more power, in an effort to exercise greater control over the opposition ahead of the elections in 2007-08.

Following the Money Trail

Moscow Times – 7 June

The money-laundering trail associated with Diskont leads through a quiet side street in Moscow to Vienna, and from there, to Latvia and some 50 accounts around the world, the Austrian Interior Ministry said.

Raiffeisen was tipped off by a telephone call on Aug. 30 from the president of a Russian bank, warning that a large sum paid into Diskont's correspondent account at Raiffeisen should be blocked and sent back on suspicion of money laundering, according to a report on the ministry's web site.

Raiffeisen spokesman Andreas Ecker-Nakamura declined to name the Russian bank that provided the tip, but said it was a "respectable" partner that Raiffeisen worked with often in Russia.

The head of the Central Bank's watchdog had been in telephone contact with both Austrian investigators and with Raiffeisen just before Kozlov's murder, the Austrian ministry's report said.

Russian investigators did not give their Austrian counterparts any explanation about the money's origin or about the background of Kozlov's assassination, the report said, but only stated that Diskont Bank's managers were being investigated over possible tax evasion and money laundering.

An Austrian investigation found that the account had contained more than \$44 million that day, paid through 34 transfers. By the time the money was frozen, only \$3 million and 2,600 euros could be recovered. It was found that the account had been used for transactions worth \$112 million in the last four days leading up to the Aug. 30 seizure -- money that had been transferred through 189 transactions to 50 offshore companies with addresses and bank accounts all over the globe.

Austrian investigators said most of the suspect funds had been to accounts in Latvia, and Latvian police confirmed Wednesday that they had opened a criminal investigation into transfers originating with Diskont. Spokeswoman Ieva Reksna declined to elaborate, citing the ongoing investigation.

In Moscow, standing near the former headquarters of Diskont on the leafy side street of Ulitsa Marshala Malinovskogo, it seems astounding that so many billions of rubles could have passed through such a shabby and nondescript office. The freeze-dried coffee on the windowsill is cheap, and through the window the floors look badly worn.

Neighbor Svetlana Nemtsova, 73, said she would not be that surprised if the office had been used for money laundering. For more than 16 years she was the bank's next-door neighbor, and often sat on a bench that faced its front door. "I only saw a handful of people ever go in or out of there," she said. "They probably stole what they could and got out."

U.S. Gives Aid To Turkmenistan Border Guards

RFE/RL – 7 June

The U.S. government has donated five mobile maintenance trucks and radio communications equipment to Turkmenistan's border-protection service.

The U.S. Embassy in Turkmenistan says the equipment was donated as part of an ongoing program in which both countries are cooperating to stop the spread of narcotics and weapons of mass destruction. The equipment was valued at \$250,000.

Russian security service calls for joint fight against Internet terrorism

RIA Novosti – 6 June 2007

Russia's Federal Security Service (FSB) is calling on the security services of other countries to jointly work out a mechanism to fight against information terrorism. There is no legislative basis for the fight against information terrorism in Russia and other countries, Russian FSB Deputy Director Yuriy Gorbunov has said. He has called on his colleagues from other countries to work out an effective mechanism to combat information terrorism, which not only affects Russia.

"There is no legislative basis for the fight against the phenomenon of information terrorism, in particular because of the following: whatever internal acts are being taken to regulate the Internet, we cannot influence the states where websites of a terrorist nature are hosted," Gorbunov said when asked by RIA Novosti to comment on a statement by Sergey Kiriyyenko, head of Rosatom [Federal Atomic Energy Agency].

Kiriyyenko said after the meeting of the National Antiterrorist Committee on Tuesday [5 June] that rumours about the accident at the Volgodonsk nuclear power plant, which caused panic in the south of Russia, turned out to be a well-planned act of information terrorism.

"This problem indeed exists. For example, there are many websites where you can read how to make a bomb using different components, how to stage a particular kind of terrorist attack and a number of other details, even down to instructions on how to retreat and how to provide cover," Gorbunov said.

He added that this issue is exclusively international in nature and that a number of agreements should be concluded under the aegis of the UN, for example. Such agreements should "qualify such actions as criminal and make states commit to closing (terrorist) websites on the territory of the state where they are hosted."

Gorbunov called on the international community to work out a mechanism to regulate the fight against the negative influence of the phenomenon of information terrorism.

"There are preliminary outlines to solve this problem in the UN global antiterrorist strategy adopted last year, as not only we, but also other countries are facing this issue," Gorbunov said.

He expressed the hope that sooner or later all countries would come to understand the need to fight against information terrorism.

"Naturally, it would be better if it happened earlier, because we are wasting time," Gorbunov said.

Kazakhstan hosts meeting of the global initiative to combat nuclear terrorism

US State Department Press Release – 12 June

On June 11-12 the Government of Kazakhstan hosted a meeting of the Global Initiative to Combat Nuclear Terrorism. The Astana meeting was the third meeting of the Global Initiative, consolidating and building on the foundations constructed during previous meetings in Rabat, Morocco and Ankara Turkey.

New measures to fight terror-financing in China

People's Daily – 12 June

Rules on control of terrorism financing requiring banks to report any suspicious transactions to the financial authorities were released with immediate effect yesterday.

Any deal suspected of being related to terrorism shall be reported within 10 days to the China Anti-Money Laundering Monitoring and Analysis Center, the special arm of the central bank for fighting money laundering.

Reports related to terrorist organizations and activists listed by Chinese organizations and the United Nations Security Council shall be made regardless of the amount of money or value of assets, the People's Bank of China said on its website.

Financial institutions face penalties if they fail to follow the rules. They could have their business suspended or license revoked.

Board members, high-ranking managers or other staff directly involved in such crimes can have their professional licenses revoked and be barred from working in the industry.

The rules are an extension of the country's anti-money-laundering law, which was enacted last year and took effect this year.

That law marked a decisive step for China to join the Financial Action Task Force (FATF) - the 33-member inter-governmental body that promotes and coordinates global fight against money

laundering. The FATF completed its assessment of China's entry late last year and is expected to vote on it this month.

Security zone to be established along Uzbek-Kyrgyz border

IWPR – 13 June

A security zone is to be established along the Uzbek-Kyrgyz border around the Dustlik checkpoint in the Andijan region of Uzbekistan. Over 150 homes will be demolished as part of the counter-terrorism scheme. A barbed-wire fence will also be erected to secure the area.

Trial begins in China's biggest money laundering case

Shanghai Daily – 15 June

A Shanghai court this morning began hearing China's biggest money laundering racket case involving five billion yuan (US\$633 million), the Shanghai Evening Post reported.

The Singaporean defendant said he and three accomplices were exchanging foreign currencies in rented apartments in Shanghai and Suzhou.

They received foreign currencies from the boss of a Singaporean money-exchange company and deposited the money into local banks twice a day.

The group laundered more than five billion yuan in 68 banking accounts from January 2004 to April 2006 and were arrested last year, the report said.

The case first surfaced in a Pudong Branch of the Bank of Communications. Employees there reported to the central bank's anti-money laundering bureau that a man had been making money transfers every day from the first quarter of last year.

Banking employees asked him to apply for a VIP card which would give him preferential treatment as he seemed to be a really big client but he refused.

"It was really strange that he kept making money transfers at different windows of the bank, and showed no dismay at the long queues in front of him," an official with the branch said.

A later investigation by the bureau uncovered that he wasn't working alone, and his accomplice was working in other banks in Shanghai.

The group were later arrested and accused of operating an underground bank in the city, making large money transfers and providing foreign exchange and other banking services between Singapore and China.

China's central bank orders report on suspected terrorist financing

Xinhua – 18 June

China is hoping to boost its chances of becoming a member of the Financial Action Task Force (FATF), an international anti-money laundering organization, with a set of tough new regulations which were released by the People's Bank of China (PBOC) on June 11.

The regulations require financial institutions in China to immediately report suspected terrorist financing deals and to improve customer data collection and security measures.

Financial institutions are required to report suspect financing deals to the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) which is affiliated to the central bank.

The regulations came into effect on June 11.

Foreign owned financial institutions that operate in China are also required to abide by the regulations.

The FATF is scheduled to vote on China's entry into the organization this month.

The United States said last month it would support China's application for FATF membership.

"The regulation could help cut the capital chains of terrorist organizations and promote international cooperation in anti-terrorist financing efforts," said Zhao Peng, president of Anhui Branch of Industrial and Commercial Bank of China.

The central bank said financial institutions should report any client, capital or deal that is related to terrorism, terrorists, terrorist organizations and activities, "no matter how much capital or what assets are involved".

The banks should submit reports if their clients are suspected of being involved in terrorist organizations which are listed by the central government or the Security Council of the United Nations.

Financial institutions that fail to follow the regulation could be temporarily closed or even have their business license revoked.

By the end of 2005, the CAMLMAC has received 283,400 reports on suspect RMB deals and 1.9798 million reports involving foreign-currency deals. The center provided evidence relating to 683 suspect deals, involving 137.8 billion yuan (17.9 billion U.S. dollars) and over one billion U.S. dollars. (XBW)

Chaika to Create New Unit To Fight Money Laundering in Russia

Moscow Times – 25 June

Prosecutor General Yury Chaika has said that criminal businesses and money laundering posed a threat to the country's economic development and announced the creation of a special anti-corruption unit that will soon be set up within his office, Interfax reported.

"Money laundering conducted through the conclusion of deals and financial operations allows organized-crime groups to infiltrate the legal economy and even carry out illicit activities by producing new schemes for it," Chaika said at a meeting of law enforcement chiefs.

The anti-corruption unit would draw on experience from similar units in Spain, Chaika said.

"It wasn't incidental that I went on a recent trip to Spain," Interfax quoted Chaika as saying. Spain's efforts have won praise from the Council of Europe and the experience is now being applied in other European countries, he said.

Last year, the number of money laundering related crimes brought to light increased by 7 percent, and those committed by organized crime groups rose by one-third," Chaika said.

Almost 7 billion rubles (\$270 million) in illegal incomes were laundered last year, Interfax reported, citing data from the prosecutor's office.

A total of 3,500 such criminal cases were sent to court, yet only few more than 500 people have been convicted, the statement said.

The authorities in charge of the investigations had not shown sufficient "initiative in exposing such crimes," it said.

Transparency International said in a report last month that Russian authorities had increased their influence over the country's judicial system over the past few years and had done little to tackle corruption in the courts.

International News

Fighting international terror task uniting all states-Russia Interior head

ITAR-TASS – 24 May

Russian Interior Minister Rashid Nurgaliyev stated at a meeting of the justice and foreign ministers of the Group of Eight member states in the Bavarian capital on Thursday that the fight against international terrorism is a task uniting states of the entire world.

"Possible attacks of terrorists on nuclear power plants, chemical productions, pipelines and the transport network pose a particular danger," he said.

"Therefore," the Russian interior minister stressed, "in the modern conditions the protection of vitally important infrastructure is a fundamental aspect of the antiterrorist activity of our states, of ensuring public security and stability."

Nurgaliyev expressed interest in the "development of instruments of preliminary information exchange aimed at the assessment of threats, lowering the vulnerability of vital infrastructure objects, as well as planning of joint actions in the event of emergency situations."

The Russian interior minister also urged to "establish information exchange regarding the assessment of criticality of systems and methods of their protection, ensure the coordination of interaction within the G8 with the parties' efforts within the framework of other international structures, first of all the United Nations and in the Russia-EU format."

"The Russian side also calls for the intensification of cooperation of the G8 member states and exchange of experience in the sphere of antiterrorist security of the pipeline transport," he pointed out.

Nurgaliyev said Russia supports the proposed by the US side initiative of methods of assessment of vulnerability of the energy infrastructure and exchange of work practice in this sphere. He positively assessed the American side's proposal "to spread positive experience in this sphere also to third countries."

The Russian interior minister drew attention to the danger of the use of the Internet by terrorists for information-psychological influence on people and spreading radical doctrines. According to information provided by the minister, at present there are over 4,800 sites in the word wide web belonging to extremist organisations, while there were only 12 such sites in 1998.

In conclusion Nurgaliyev stressed the importance of the creation of the international legal base of cooperation of law enforcement agencies of the Group of Eight, "interaction in the sphere of personnel training, direct participation in the exposure and suppression of actions of cyber criminals and cyber terrorists."

EU states share web terrorism monitoring

Reuters – 30 May

European Union states have started sharing monitoring of Islamic militant Web sites, communicating their work via a highly secured information portal, the bloc's police agency's chief said on Wednesday.

Germany is leading shared EU work of analysing al Qaeda's media arm as-Sahab, according to a statement agreed by EU ambassadors on Wednesday.

Police say the Internet has taken on huge importance for militant groups, enabling them to share know-how and spread propoganda to a mass audience, and to plan operations.

"We offer EU member states to share their responsibilities in checking the web," Europol's director Max-Peter Ratzel said in a phone interview, referring to an information portal he said the police agency launched earlier this month.

"It's for Islamic terrorism," Ratzel said of the site accessible to a maximum of five experts in each EU state.

"If you see that a Web site is checked by another country, you can save the energy," he said.

The portal is to include a list of links of monitored Web sites, statements by terrorist organisations, and details on experts checking the web in EU countries, including their language competence and technical expertise.

Germany, which holds the rotating EU presidency, has been pressing the 27 EU states to cooperate on web monitoring, arguing that not all member states have experts who can translate and analyse Web sites used by militants.

"At present some member states under German lead responsibility are sharing the task of analysing al Qaeda's media department as-Sahab," according to the statement agreed by EU ambassadors on Wednesday.

As-Sahab's output has included a series of statements by its senior leaders.

Western security analysts say al Qaeda and its offshoots have been very adept at using new media, publishing footage of violent executions and attacks on British forces in Iraq on the Internet within hours of them happening.

"Internet use plays a major role in the logistic, operational and communication network of terrorist organisations," said the statement, prepared for the next meeting of EU justice and interior ministers in June said.

"Terrorists use the Internet not only as a means to communicate and spread propaganda, but also to radicalise, recruit and train terrorists, to spread instructions on how to carry out concrete offences and to transfer covert information," it said.

"The systematic cooperation in sharing the task of monitoring and assessing the Internet needs to be further strengthened," the statement said.

Anti-money laundering summit ends with landmark agreement

Bermuda Sun – 1 June

The first international anti-terrorist financing and counter money laundering meeting ever to be held in Bermuda resulted in a historic agreement yesterday.

The secretive closed-door sessions, included 217 delegates representing 92 countries and 12 non-governmental organizations like the International Monetary Fund and the World Bank, ended with the decision for the Egmont Group to have a permanent secretariat.

The Egmont Group is an international organization that brings together governments and other groups in an attempt to fight money laundering and other illegal financial transactions around the world.

Addressing the delegation yesterday, Governor Sir John Vereker said, "No one could be prouder than we in Bermuda that this agreement is being reached here ... I hope it will be called the Bermuda Charter."

The Egmont Group must ensure that financial are carried out effectively. It must identify what is essential for financial intelligence groups to work as they are intended, Sir John said.

He underscored the importance of adequate staffing: "The financial investigation units or agencies established under the Egmont umbrella must have the capacity to receive, collate, analyze and disseminate information in a timely manner."

The units must have the capacity to "display their muscle" when needed, he said.

These units must also be independent of political control and have "ring-fenced" budgets in order to ensure "there can be no interference in their role, whether directly or through budgetary pressure," he said.

The Governor went on to say another important requirement for the units is for countries to share information with each other.

The globalization of capital markets, financial services, information and of transport has brought many benefits, "and to some, including Bermuda, great prosperity," Sir John said.

However, threats from organized crime, money launderers, counterfeiters, drug smugglers and terrorists have also developed on the same scale, he noted.

UN committee to assist repatriate siphoned off money

United News of Bangladesh Limited – 4 June

The UN Counter Terrorism Committee has agreed to provide technical assistance to help Bangladesh repatriate money siphoned off abroad by corrupt politicians.

A team from the Committee now visiting Dhaka today met with governor of Bangladesh Bank Dr Salehuddin Ahmed in his office and held out the assurance of cooperation he sought from the international body.

'The UN role in this regard is to assist technically,' team leader Sergey Karev, assessment and technical assistance director of the committee, told reporters after the meeting.

He said the UN could negotiate with countries having the problems of money laundering. 'It may work or may not work,' he said.

The government has initiated a drive to repatriate the money laundered abroad as part of the ongoing anti-corruption drive.

Dr Ahmed said it's very difficult to bring back the laundered money from abroad and it's not possible only through understanding between two central banks. It requires understanding between two governments as well, he added.

He said Bangladesh Bank is in the process to sign a Memorandum of Understanding (MoU) with UK-based Financial Intelligence Unit (FIU) to address the issue of money laundering.

Replying to a question the Governor said the money laundered abroad has not come back so far. Some ill-gotten funds have been deposited with the central bank.

He said that the UN Committee expressed the willingness to provide Bangladesh relevant software, hardware and training to address the problem of money laundering.

The 11-member UN Counter Terrorism Committee, led by Sergey, arrived here on Saturday on a weeklong visit to Bangladesh to exchange ideas on counter terrorism and anti-money laundering.

The team had also meeting with officials of Anti-money Laundering Department of Bangladesh Bank.

Gonzales: World must coordinate to prevent nuclear terrorism

Associated Press – 11 June 2007

MIAMI - The international community must communicate and coordinate efforts to stop terrorists who may be seeking nuclear weapons, Attorney General Alberto Gonzales said Monday.

Gonzales spoke at the Global Initiative to Combat Nuclear Terrorism Law Enforcement Conference, which was attended by the world's nuclear powers and delegates from 28 countries.

"This is a mission we must accept and will not fail," Gonzales said. "But we must all remember, communication, sharing and coordination are truly universal concepts. And they are the essence of what will ultimately make our network stronger than the terrorist network."

The delegates are meeting for five days to exchange information and cooperation on battling nuclear terrorism. The initiative aims to provide guidelines for keeping track of atomic substances to ensure the safety of nuclear facilities and combat trafficking of materials that could be used in bombs.

"The threat of nuclear terrorism is all too real. We know, for example, that al-Qaida has been trying to acquire or make nuclear weapons for over 10 years," Gonzales said.

Gonzales also said the Justice Department is preparing an initiative to improve detection, investigations and prosecution of people and companies who violate U.S. export laws on materials that can be used to make nuclear weapons.

Meanwhile, FBI Director Robert Mueller told the participants that prevention is key. He said the intelligence alone is not enough and that in order to discover information about potential plots or trafficking, agencies must be able to move quickly and together.

"No one person, no one officer, no one agency and no one country can prevent a nuclear terrorist attack on its own. There are too many unlocked doors and unknown players, too many ports and porous borders."

Job Announcement

The European Commission and the Council of Europe are seeking an international long-term adviser on anti-money laundering and financing of terrorism for a project in Moldova. A full job description is available at: http://www.coe.int/t/e/legal_affairs/legal_co-operation/combating_economic_crime/912-m-adviser.aml-job%20announcement.2007doc1111.pdf.

Publications and Websites of Interest

http://www.unodc.org	Official website of the UNODC. (In English, Russian, Spanish)
http://www.amlcft.org	World Bank's AML/CFT website. (In English)
http://www.imolin.org	International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPML) on behalf of a partnership of nine international organizations and offering model laws, legal library, calendar of key events and other AML/CFT related information. (In English, with some Russian)
http://www.euroasiangroup.org	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
http://www.egmontgroup.org	The Egmont Group is the international network of FIUs which work together to deter international money laundering efforts. (In English)
http://www.fatf-gafi.org	Financial Action Task Force Against Money Laundering (FATF). (In English and French)
http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf	Updated evaluation methodology is used when conducting assessments of how countries have implemented international AML/CFT standards in accordance with the FATF 40+9 Recommendations and international best practices. (in English)
http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf	UNODC Model Law in Russian

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